

Message Text

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ORIGIN EB-08

INFO OCT-01 ARA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 DOE-11 H-01 INR-10 INT-05 L-03
NSAE-00 OMB-01 PM-05 OES-07 SP-02 SS-15 STR-07
TRSE-00 ACDA-12 NSCE-00 SSO-00 USIE-00 INRE-00
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DRAFTED BY EB/ORF:LRRAICHT:LJ
APPROVED BY ARA/ECP:RARELLANO
EB/ORF:SBOSWORTH
EB/ORF/FSE:DHART
ARA/AND:WSERGEANT
ARA/ECP:SROGERS
ARA/ECP:JHENNEKE
DOE/IA:SJACKSON

-----093324 022141Z /73

O 022047Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY CARACAS IMMEDIATE

C O N F I D E N T I A L STATE 053861

E.O. 11652: GDS

TAGS: ENRV, VE

SUBJECT: BILATERAL ENERGY TALKS: SCHLESINGER -
HERNANDEZ MEETING

REF: (A) CARACAS 1695; (B) CARACAS 1696;
(C) CARACAS 1852; (D) CARACAS 1913

1. TOPICS FOR MARCH 6 SCHLESINGER/HERNANDEZ MEETING:

I. CURRENT STATUS AND PROSPECTS FOR U.S. ENERGY LEGISLA-
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-- THE USG WILL GIVE ASSESSMENT OF THE LEGISLATIVE
PROSPECTS FOR THE NATIONAL ENERGY PLAN. TO THE EXTENT
POSSIBLE, DISCUSSION WILL RELATE TO PROSPECTIVE IMPACT
OF LEGISLATION ON FUTURE VENEZUELAN PETROLEUM MARKET IN
U.S.;

-- IMPACT OF REGULATORY REGIME ON VENEZUELAN PETROLEUM MARKET IN U.S. IS DIFFICULT TO ESTIMATE SINCE REGULATIONS ARE CURRENTLY UNDER REVIEW IN DOE AND SHAPE OF NEW REGULATIONS REQUIRED BY LEGISLATION NOW BEFORE CONGRESS IS NOT YET CERTAIN;

--U.S. SIDE WILL BE PREPARED TO PROVIDE BROAD OVERVIEW OF SHORT-TERM (1978-1980) DEMAND, SUPPLY AND IMPORTS;

-- U.S. SIDE WILL BE PREPARED TO DISCUSS IN GENERAL TERMS THE LONG TERM CONSEQUENCES OF THE U.S. ENERGY PROGRAM. THE FULL IMPACT CANNOT, OF COURSE, BE ASSESSED UNTIL THE FINAL LEGISLATIVE PACKAGE EMERGES FROM CONGRESS. ALSO, THE CONTENT OF FINAL ENERGY LEGISLATIVE PROGRAM WILL HAVE MAJOR INFLUENCE ON FUTURE ENERGY PROPOSALS BY ADMINISTRATION. HOWEVER, U.S. SIDE WILL BE PREPARED TO DESCRIBE ITS INTENTIONS AND INDICATE IN GENERAL TERMS APPROACHES IT IS CURRENTLY CONSIDERING.

II. VENEZUELA'S OIL SUPPLY PROSPECTS - SHORT, MEDIUM AND LONG-TERM.

-- WE WOULD BE INTERESTED IN HAVING HERNANDEZ' VIEWS ON HOW PETROLEOS' \$20 BILLION INVESTMENT PROGRAM RELATES TO FUTURE VENEZUELAN SUPPLY PROSPECTS;

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-- WE WOULD WELCOME HEARING HERNANDEZ' VIEWS ABOUT US-GOV COOPERATION (PARTICULARLY PARTICIPATION BY U.S. COMPANIES) IN DEVELOPMENT OF THE TAR BELT, E.G. TYPES OF COOPERATION ENVISAGED FROM U.S. PRIVATE SECTOR, POLITICAL CONSTRAINTS AND POSSIBLE GOVERNMENTAL APPROACHES WOULD ASSIST OUR CONSIDERATION OF THIS MATTER. FYI: WE DO NOT ANTICIPATE THAT DISCUSSION OF THIS ISSUE CAN BE MORE THAN PRELIMINARY AT THIS STAGE, BUT WE MAY WANT TO PURSUE MATTER IN MORE DEPTH IN SUBSEQUENT MEETINGS. END F.Y.I.

III. FRAMEWORK FOR CONTINUING BILATERAL ENERGY COOPERATION:

(A) IN THE CONTEXT OF PERIODIC MEETINGS, WE WOULD BE PREPARED TO SHARE WITH GOV OUR PROJECTIONS OF FUTURE U.S. ENERGY DEMAND AND IMPORTS (WITH NO COMMITMENT ON U.S. PURCHASES.) WE WOULD BE INTERESTED IN LEARNING OF GOV PROGRESS IN IMPLEMENTING ITS \$20 BILLION PETROLEUM INVESTMENT PROGRAM, PERIODIC UPDATES ON CURRENT AND FUTURE SUPPLY PROSPECTS AND HOW GOV PLANS TO UPGRADE ITS REFINING AND PETROLEUM PROCESSING FACILITIES.

(B) CARACAS 1913 REPORTED THAT GOV HAD TENTATIVELY APPROVED CONCEPT OF EXPERT EXCHANGES IN ENERGY R&D WE HAD SUGGESTED, AGREED TO BEGIN WITH PRIORITY AREAS OF ENHANCED OIL RECOVERY AND ENERGY SYSTEMS ANALYSIS IN

APRIL AND ANTICIPATED THAT GENERAL ARRANGEMENTS FOR THIS PROGRAM WOULD BE WORKED OUT AT MARCH 6 SCHLESINGER/ HERNANDEZ MEETING. WE ANTICIPATE EXCHANGE OF VISITS OF ENERGY SYSTEMS ANALYSIS EXPERTS AND ENHANCED OIL RECOVERY TEAM SOMETIME AFTER NEXT WEEK'S MEETING. WE WOULD PREFER TO DELAY COMMENTS ON OTHER AREAS OF R&D EXCHANGE (COAL AND BIOCONVERSION) UNTIL AFTER MARCH 6 MEETING. (FYI: WE DOUBT THAT LEADER GRANT PROGRAM CAN BE USED FOR THIS
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PURPOSE, AND WE DO NOT WISH TO ESTABLISH PRECEDENT OF U.S. FUNDING FOR VENEZUELAN EXPERT VISITS TO U.S.)

THE TWO ENERGY MINISTERS MAY ALSO WISH TO CONSIDER AT THEIR MEETING MARCH 6 HOW THE ESTABLISHMENT OF A SIGNIFICANT PROGRAM OF BILATERAL ENERGY COOPERATION MIGHT BE REFLECTED IN THE MEETING BETWEEN PRESIDENTS CARTER AND PEREZ LATER IN MARCH.

2. SUBSEQUENT TO THE MEETING, WORKING LEVEL DISCUSSIONS COULD ALSO TAKE PLACE IF THE VENEZUELAN WISH.

3. AS SUGGESTED BY EMBASSY (REF. B), WE HAVE ARRANGED LUNCHEON FOR THE MINISTER AND HIS PARTY AT THE DEPARTMENT AT 12:30 PM ON MARCH 6, CO-HOSTED BY ASSISTANT SECRETARIES TODMAN (ARA) AND KATZ (EB). GUEST LIST WILL BE SHORT (APPROXIMATELY SEVEN USG OFFICIALS) TO ENCOURAGE SUBSTANTIVE DISCUSSIONS.

4. SCHEDULE FOR HERNANDEZ: 12:30 PM LUNCHEON AT DEPARTMENT OF STATE, 3:00 PM MEETING OF MINISTER AND HIS PARTY WITH SECRETARY SCHLESINGER AND SENIOR DOE AND STATE OFFICIALS.

5. CARACAS 1928 WILL BE BROUGHT TO SECRETARY SCHLESINGER'S ATTENTION. VANCE

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